

**Efficiency Measures.** Effective programs not only accomplish their outcome performance goals, they strive to improve their efficiency by achieving or accomplishing more benefits for a given amount of resources. The President's Management Agenda (PMA) Performance Improvement Initiative (PII) requires agencies to develop efficiency measures to achieve *Green* status. Efficiency measures reflect the economical and effective acquisition, utilization, and management of resources to achieve program outcomes or produce program outputs. Efficiency measures may also reflect ingenuity in the improved design, creation, and delivery of goods and services to the public, customers, or beneficiaries by capturing the effect of intended changes made to outputs aimed to reduce costs and/or improve productivity, such as the improved targeting of beneficiaries, and redesign of goods or services for simplified customer processing, manufacturability, or delivery. Two categories of efficiency measures are defined for the PART. Unless an efficiency measure is directly tied to a program's strategic goals, it is considered an annual rather than outcome measure.

**Outcome efficiency measures:** The best efficiency measures capture improvements in program outcomes for a given level of resource use. Outcome efficiency measures are generally considered the best type of efficiency measure for assessing the program overall. For example, a program that has an outcome goal of increasing the participation of low-income individuals in advanced placement educational programs through federal payment or partial payment of test fees may have cost per passage of an advanced placement test per low-income student participant as an outcome efficiency measure.

**Output efficiency measures:** It may be difficult to express efficiency measures in terms of outcomes. In such cases, acceptable efficiency measures could focus on how to produce a given output level with fewer resources. However, this approach should not shift incentives toward quick, low-quality methods that could degrade program effectiveness and desired outcomes.

A useful approach to identifying efficiency measures is to calculate the *productivity of an input*, defined as the ratio of an outcome or output to an input. As such, input productivity measures can be outcome or output efficiency measures. For example, the ratio of the number of benefit checks processed to the total dollars spent on federal and contractor staff during a pay period is an output (benefit check) efficiency measure of money spent on the labor. Input productivity measures are relatively simple to formulate and easy to understand. However, when they are used to as output efficiency measures to compare a program's performance between different time periods, they are only valid when the outputs intended to be produced within the time periods are comparable. Some aspects of this issue are detailed in Appendix D. Concerns about the validity of efficiency measures should be discussed with your OMB examiner.

**Requirements for efficiency measures.** As with all PART measures, acceptable efficiency measures must be meaningful in the context of the program, be based on a sound measurement methodology, and can be verified with reliable data.

Meaningful outcome efficiency measures consider the benefit to the customer and serve as indicators of the program's operational performance.

In order to be valid, comparison of output efficiency measures between time periods should reflect efficient use of resources rather than other changes such as processing of a different output or a change in output mix. Improvement or degradations in output efficiency measures over time should correspond to the decrease or increase of related costs, respectively, for the quantity or volume and mix of outputs. In all cases, the use of an input productivity measure as an output efficiency measure requires assessment of the comparability of the kinds of outputs produced during the measurement periods. (Appendix D discusses some issues with these measures.)

Efficiency measures that involve a baseline, standard, or benchmark must be accompanied by a history of the program's changes to the baseline, standard, or benchmark for all measurement periods. Without this history, valid comparisons cannot be made.

Efficiency improvement often involves risk, such as to quality (e.g., reductions in processing time may increase error rates), outcomes, and other factors such as customer satisfaction. A program should assess risks associated with efficiency improvement efforts and, if warranted, develop and implement a risk management plan that includes monitoring the factors at risk.

When a Federal program combines Federal and non-Federal resources, the inputs for an efficiency measure should include those from all sources to the extent practicable.

Leveraging program resources can be a rational policy decision, as it leads to risk or cost sharing. However, leveraging is not an acceptable efficiency measure, because the leveraging ratio of non-Federal to Federal dollars represents only inputs. Although increasing the amount leveraging in a program may stretch Federal program dollars, this does not measure improvements in the management of the total program's resources, systems, or outcomes. This guideline does not rule out the use of leveraging as a performance measure for other purposes.

### ***Targets and Baselines***

Once measures are defined, ambitious and achievable targets must be set, building off a reliable baseline.

**Baselines** are the starting point from which gains are measured and targets are set. The baseline year shows actual program performance or prior condition for the given measure in a specified prior year.

**Targets** refer to improved levels of performance needed to achieve the stated goals. These targets must be *ambitious* (i.e., set at a level that promotes continued improvement given program circumstances) and *achievable* given program characteristics. Each target must have a timeframe (e.g., years in which the target level is to be achieved). Target setting should consider circumstances (e.g., funding levels, changing legislative constraints, past performance) and targets may be adjusted annually as these factors change.

In most instances, targets should be quantifiable. However, in some cases, like basic research and development, measures and their targets may need to be qualitative and supported by

peer review (e.g., expert panels or Inspectors General) or other means. When a target is not quantitative, it must still be verifiable.